

FitchRatings

KNOW YOUR RISK

Fitch : Info Center : Press Releases

Fitch Affirms Roanoke County, Virginia's GOs at 'AA'; Outlook Stable Ratings

27 Jan 2010 12:15 PM (EST)

Fitch Ratings-New York-27 January 2010: Fitch Ratings takes the following rating action on Roanoke County, Virginia as part of its continuous surveillance effort:

- Approximately \$14.6 million general obligation (GO) bonds affirmed at 'AA';
- Approximately \$57.9 million Economic Development Authority of the County of Roanoke (EDA) lease revenue bonds (public facility projects) series 2008 affirmed at 'AA-'.

The Rating Outlook is Stable.

RATING RATIONALE:

- Strong and consistent financial management has resulted in healthy reserve levels and controlled expenditure growth.
- The debt burden is expected to remain moderately low, with steady tax-base and population growth supported by pay-as-you-go capital financing and limited future debt plans.
- The county's economy benefits from its proximity to the city of Roanoke, a regional hub underpinned by strong transportation and medical sectors. County economic development efforts leverage the city's medical and corporate assets.

KEY RATING DRIVERS:

- Economic expansion should continue to diversify the county's economy, attract lucrative positions, and promote high occupancy of its corporate office and research and development parks.
- Reserve levels should remain sound in light of revenue pressures attributable to the current economic weakening.

SECURITY:

The GO bonds are secured by the county's full faith and credit pledge. The series 2008 lease revenue bonds are secured by a pledge of basic rent payments made by the county, subject to appropriation.

CREDIT SUMMARY:

Located in the Roanoke Valley, a transportation, regional, and medical hub anchored by the city of Roanoke, Roanoke County has an estimated 2008 population of 90,867. The county's expansion of its economic base from traditional manufacturing to include well-paying research and development and high-technology manufacturing firms has continued at a moderate yet steady pace. Partly due to its proximity to the Virginia Polytechnic Institute and State University, the county projects full occupancy over the next decade of the Center for Research and Technology, a 435-acre technology business park. Fitch believes that the county is well-positioned to meet its development goals of attracting corporate offices and sports-based tourism. The county's November 2009 5.5% unemployment rate was below the state's and the nation's, a trend since at least 1998. Wealth indicators are above those of the nation but below those of the state.

The county's healthy reserve levels and strong financial flexibility reflect prudent financial management and controlled expenditure growth. The county has targeted its unappropriated general fund balance to equal 10%-11% of general fund revenues by fiscal 2011, a goal that Fitch believes is attainable given the 10.2% of fiscal 2009. In a measure more commonly utilized by Fitch, the county ended fiscal 2009 with an unreserved general fund balance equal to 18.2% of spending, consistent with its reserve levels since at least fiscal 2003. Additional financial flexibility is inherent in capital reserves that total around \$5 million and are available for pay-as-you-go capital financing as well as a debt service reserve fund designated to ease the debt burden of future years. Fiscal 2010 expenditure controls are expected to offset budgeted

revenue reductions, and the county anticipates general fund balance to remain unchanged at the end of the current fiscal year. Steady assessed valuation growth has enabled the county to project maintaining its regionally competitive tax rate.

Overall debt levels are moderately low at \$2,465 per capita and 2.1% of market value, and debt ratios and are maintained within policy parameters. The fiscal 2010-2014 county capital improvement program totals \$41.8 million, and the county anticipates full funding through previously issued bonds and \$9 million of pay-as-you-go capital financing. School capital needs are currently estimated to require around \$10 million of annual debt issuance. Payments supporting lease revenue bonds are subject to annual appropriation by the county, pursuant to a financing agreement between the county and the EDA. Further security is provided by a leasehold deed of trust granting a lien by the EDA for the benefit of the trustee on its leasehold interest.

Applicable criteria available on Fitch's website at 'www.fitchratings.com':

--'Tax-Supported Rating Criteria' (Dec. 21, 2009);

--'U.S. Local Government Tax-Supported Rating Criteria' (Dec. 21, 2009).

Contact: Barbara Ruth Rosenberg +1-212-908-0731, New York or Kelly McGary, +1-813-223-6600, Tampa.

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE.

Copyright © 2010 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries.